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Thank you, Mr. Chairman and Members of the Subcommittee, for the opportunity to appear before you today to report on USAID's progress in implementing the Microenterprise Results and Accountability Act of 2004, since your September 20, 2005 hearing.

Generating economic growth in developing countries while reducing poverty is a fundamental development challenge. It is also critical to national strategic and security interests, as reflected in the growing role USAID is being asked to play in rebuilding, developing, transforming and sustaining partnership countries.

Only a few weeks ago here in Washington, President Bush addressed the private-sector Initiative for Global Development saying that “the reduction of extreme poverty in our world must be a key objective of American foreign policy.” And, the President added, the effort to eliminate global poverty “needs to be part of the calling of the United States in the 21st century.” The President also emphasized that he expected principles of transparency, performance and accountability to be applied to all our development aid, saying, “We’re going to be generous in our contribution and demand results in return.” So, Mr. Chairman, our assistance programs are being held to account by both the Congress and the Chief Executive.

USAID’s vision for microenterprise development is to strengthen economic opportunities for poorer households and the business activities on which they typically rely to enable these families to build assets, cope with the risks and vulnerability that accompany poverty, and plan for better futures for their children. These strategies support delivery of effective financial and business services that poorer families and entrepreneurs need to succeed in these challenges, as well as policy changes that reward initiative and hard work. USAID’s partnerships with hundreds of diverse U.S. and local microenterprise practitioners have also demonstrated that microfinance and microenterprise development services can contribute to poverty alleviation in a sustainable and commercially viable way.

In September's hearing, the Agency presented the status of our efforts to implement the law in the context of these overall strategies and programs. Today, I will present the Agency's response to the twelve reporting requirements in the Microenterprise Results and Accountability Act of 2004, as well as our implementation of key activities that we know to be of special interest to the committee.

Results

Funding, client results and program examples

In Fiscal Year (FY) 2005, USAID obligated $211 million for microenterprise development, supporting 435 institutions (218 of which had new agreements this fiscal year) in 68 countries throughout Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia. Nearly $22 million of this support came from central programs.

USAID's microfinance support has helped strengthen financial sectors to better meet the needs of poor households and new and growing microenterprises. Microfinance institutions (MFIs) and other financial institutions that received USAID microenterprise assistance in FY 2005 served 5.8 million loan clients, as well as 6.4 million savings clients. Sixty-one percent of these clients were women.

What does USAID support mean for these clients? In Mexico City, I met Maria Terese Perez, a businesswoman who makes her living sewing and selling school uniforms. In her two years as a client of FinComun, a USAID-supported microfinance institution, Ms. Perez was able to expand her business to nine employees, buying material more cheaply in the low season with a loan from FinComun, and sewing enough uniforms to have on hand when the high season hits. A new type of loan from FinComun will enable her to buy a machine that can embroider cloth, so she can expand into higher-value fashions.

Ms. Perez and her employees, who now have higher incomes, can invest in their families' futures by meeting their education and health care needs. But the impact extends beyond Ms. Perez, her family, her employees and her customers, to Mexico's financial sector, which is undergoing a long-term, structural change geared toward integrating poor households and microenterprises into the vision, business model and product range of the country's major financial institutions. This means that millions of Mexicans like Ms. Perez can count on the sustained access to the financial services they need to cushion against financial shocks, meet their families' needs, build their businesses and other assets and invest in the future of their communities and their nation.

Some of the institutions USAID supported in FY 2005 were able to gain access to and increase their loan capital through the use of USAID's partial credit guarantees. USAID's partial credit guarantees of $6.361 million leveraged $224 million in private sector credit for institutions serving microfinance clients.

There are many impressive examples. USAID and Deutsche Bank launched the Global Commercial Microfinance Consortium in November 2005 in an effort to empower low-income households and small enterprises through increased availability of financial services. Spearheaded by Deutsche Bank, the $75 million program aims to channel financing from conventional and social investors into high-performing microfinance institutions around the world, so they can scale up their offerings of diverse financial services to low-income households and small enterprises. The USAID guarantee (put together through a team effort between EGAT's Development Credit and Microenterprise offices and the Global Development Alliance Secretariat) helped bring private commercial investors to the table. In its first full quarter of activity, the Consortium has approved and disbursed eight loans to microfinance institutions (totaling $13 million). Eleven new approvals are pending (totaling $24.4 million), and the value of deals under discussion exceeds remaining funds.

USAID also leverages outside funding through matching requirements. The Agency frequently requires that its funds for a particular purpose be matched by financing from other sources, including the recipient institution itself. In FY 2005, $27.6 million in USAID funds generated an additional $9.2 million from other sources. Sources of matching funds can encompass private donations, multilateral funding, commercial and concessional borrowing, savings and program income.

More than 690,000 clients received enterprise support services through USAID-funded institutions. In Africa and Asia in particular, these institutions implement programs that aim to increase the productivity and profits of smallholder farmers through access to more and better inputs, improved practices, value-added processing, and access to higher-value markets.

An example of this work can be found in the USAID-supported KenyaBDS (Kenya Business Development Services) project. This project focused on helping Kenya avocado producers enter the seasonal avocado market during the time of year when producers in South Africa and elsewhere do not meet demand. While KenyaBDS was able to identify a market in the United Kingdom with growth potential, the value chain for avocados in Kenya was unorganized, and farmers needed to upgrade their operations to improve the quality of their produce and provide exporters with a consistent supply of exportable avocados.

One of KenyaBDS's most significant accomplishments was to help farmers organize into producer groups, and link them, as groups, to exporters. Initially, there was little trust on either side: Exporters doubted whether farmers could deliver the quality and quantity they needed to meet the demands of the UK market, and farmers were not sure that exporters would be trustworthy buyers and give them a fair price for their upgraded product.

Ultimately, though, KenyaBDS's experiment paid off. As farmers learned about the power of organizing, upgrading and delivering on time, exporters learned that small suppliers could provide the quality they needed and the quantity they were unable to access without these small suppliers. As the success of KenyaBDS's pilot spread, more and more exporters sought to partner with small avocado farmers. Most recently, these Kenyan exporters have been able to gain access to supermarkets in London – a clear indication that KenyaBDS's strategy has benefited both exporters and small farmers.

USAID also worked in FY 2005 to assist members of particularly vulnerable groups. Fifteen missions with microenterprise programs reported a relationship between poverty and race/ethnicity in their countries.[1] Clients benefiting from microenterprise funding in these countries constitute a significant share of all clients benefiting from USAID microenterprise funding: they are 38 percent of all loan clients, 44 percent of all savings clients, and 10 percent of all enterprise development clients.

Moreover, $15 million of USAID's microenterprise funding in FY 2005 assisted victims of trafficking in persons and women who are particularly vulnerable to other forms of exploitation and violence.

Poverty measurement tools

The Microenterprise for Self-Reliance Act of 2000, as amended, mandated that half of all USAID microenterprise funds benefit "very poor people", defined as those living on less than $1 a day (adjusted for purchasing power parity), or those in the bottom 50 percent of people below their country's poverty line. The lack of widely applicable, low-cost tools for poverty assessment had made it difficult for USAID to determine whether it was meeting these mandated targets. Therefore, the 2000 Act also required USAID to develop and certify at least two tools for assessing the poverty level of its microenterprise clients.

In FY 2005, USAID completed work on the development of two new tools to measure the poverty status of clients of USAID-assisted microenterprise institutions and better gauge our service to them. We are also collaborating with our partners to develop country-specific tools that may achieve greater accuracy.

The Microenterprise for Self-Reliance Act initially set October 2005 as the deadline for USAID-assisted microenterprise institutions to begin implementing the tools; subsequently, the Microenterprise Results and Accountability Act of 2004 extended that deadline to October 1, 2006. A rigorous effort involving methodologists, academic advisors and practitioners has led to the completion of the development, testing and certification of two tools that can be implemented by partners beginning October 1, 2006. While USAID and its partners had hoped that these two tools that have been developed and certified for use at a regional or international level would predict client poverty status with acceptable accuracy, this has not proven to be the case. The testing process stipulated in the Act has yielded results that indicate that tools tailored to specific country (and even sub-national) characteristics will achieve significantly better accuracy. Practitioner organizations selected on a competitive basis have received funding to field-test country-level tools to ensure that these instruments meet the law's practicality

[1] The countries are Mali, South Africa, Sudan, Nepal, Tibet, Albania, Serbia, Bolivia, Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama and Peru.

standard, i.e., that the diverse range of practitioners with which USAID works can comply at reasonable cost.

By October 1, 2006, country-specific tools will be available or in development for many countries, including some of those with the largest microenterprise development programs. USAID will continue to work in partnership with researchers and the practitioner community to develop and/or certify country-specific tools for other countries in which USAID operates microenterprise programs. More complete information about the process of developing, testing and certifying the tools can be found online at www.povertytools.org.

Performance goals and indicators

USAID also established and measured quantifiable performance goals and indicators in FY 2005. These appear in Table 1, appended to this statement.

On a worldwide basis, USAID and its implementing partners substantially met or exceeded all targets except that for the percent of funds benefiting the very poor (for which results are inconclusive). Performance was particularly strong in the number of clients served (44 percent above the target of 4.5 million) and financial strength of microfinance implementing partners.

USAID can state with confidence that, in FY 2005, 37 percent of financial services funding, and 18 percent of enterprise development funding, benefited the very poor. USAID assumes that a significantly larger share of microenterprise funding benefited very poor clients but cannot validate that assumption due to the poor fit between the mandated poverty loan proxy and the services that enterprise development institutions deliver to their clients.

FY 2005 is the last year for which the regionally-adjusted loan size proxy serves as the yardstick for measuring the extent of service to very poor clients. Beginning with the FY 2006 MRR report, progress toward targets will be determined through use of improved client poverty assessment tools currently under development by USAID. The loan size proxy has proven increasingly problematic in estimating service to very poor microenterprise and microfinance clients. Many microfinance clients are gaining access to financial services other than loans, such as savings, insurance and affordable remittance services, limiting the relevance and utility of a metric based solely on loans. For those benefiting from diverse enterprise support - access to better markets, improved technologies - the loan size proxy is clearly not relevant, which contributes to the low enterprise development percentages shown in Table 1. As the share of funding for enterprise development activities has grown, this bias has in turn lowered the overall estimate of funds benefiting very poor clients, a trend noted over the past several years.

Another factor that affects the estimate of the extent to which USAID and its partners serve very poor clients is the geographic composition of microenterprise funding worldwide. The share of the population that meets the statutory definition is very small in some countries that have large microenterprise development obligation levels, such as Ukraine.

With the phase-in of the poverty measurement tools, USAID expects to have a better basis on which to determine the extent of service it provides to very poor clients for the full range of microenterprise development activities. This in turn will provide a better basis for identifying opportunities to prescribe specific actions to improve performance.

USAID is already taking steps to increase the extent of service to very poor clients. For example, the MD office has focused its competitive grant programs specifically on identifying and supporting program models that promise to improve both the extent of service and the impact of that service on very poor microfinance and microenterprise clients. Intra-agency working groups are identifying, testing and disseminating interventions that work for specific client segments that have a higher incidence of poverty, such as youth, refugees and internally displaced persons, and residents of conflict-affected zones, remote rural communities, and areas with high HIV-AIDS incidence.

Relationships with missions and partners

USAID continued to provide program guidance to field missions in FY 2005, extending the impact of support through ensuring mission access to expert technical assistance in microenterprise development. The Microenterprise Development office continued its intensive work with field missions on designing, implementing and assessing programs that apply the knowledge of how best to serve the very poor that is emerging from this focused experimentation and applied research. Through collaboration, USAID's technical experts in microenterprise development can help missions apply best practices to their microenterprise programming. For example, extensive technical assistance to the Afghanistan mission resulted in a major new rural finance program that will extend credit, savings, and other financial services and support to tens of thousands of smallholder producers and rural families that have extremely little access to finance and are likely to be poorer than those benefiting from other USAID programs on the ground.

To comply with the new statutory requirement that the Microenterprise Development office concur in strategies of USAID missions and bureaus that include microenterprise and microfinance components, MD staff has engaged with regional bureaus and missions to conduct thorough reviews of proposed strategies and activities. MD staff has been proactive as well in meeting the related provision in the law, i.e., that the office provide support and technical assistance to missions in developing new strategy elements and components. In the past year, for example, the MD staff has provided on-site assistance to missions including Afghanistan, Pakistan, Indonesia, Mexico, Haiti, Brazil, Albania, the Central Asian Republics, Azerbaijan, Serbia, Morocco, Egypt, Jordan, India, Sri Lanka, Sudan, Liberia, Uganda, Tanzania and South Africa. The staff has also provided extensive virtual technical support in both strategy and activity design for diverse missions, including Iraq.

Also, in June 2006, USAID held its first learning conference on microenterprise development. We convened more than 300 partners and other practitioners in the microenterprise field in order to alert them to changes in the U.S. Government approach to foreign assistance, engage them on the key strategic questions currently facing the microenterprise development field, and enable all of our grantees and contractors to learn from each other about the USAID-supported work they're doing, the discoveries they are making, and the successes they need to be replicating.

New funding mechanisms

We continue to work closely with our partners through our new funding mechanisms as well: through our Leader With Associates mechanism, which links a diverse consortium of partners directly with USAID missions; and through other grant programs, such as the Implementation Grant Program (IGP) and our Grants Under Contract mechanism.

Financial Integration, Economic Leveraging, Broad-Based Dissemination (FIELD-Support) Leader with Associates

The Agency has begun implementing a new microenterprise FIELD Support Leader with Associates (LWA) mechanism. This LWA has been designed to mobilize the expertise of the nonprofit community and strengthen their relationships with, and relevance to, USAID missions. FIELD-Support will operate through FY 2010, with a possible five-year extension through 2015.

The LWA is designed to implement innovative, comprehensive, and integrated approaches to sustainable economic growth with poverty reduction. This includes building more inclusive financial systems, improving the competitiveness of industries in which micro and small enterprises participate, and enhancing the overall policy and regulatory environment to enable broad-based economic growth. FIELD-Support is also designed to respond to the economic security needs of special populations, such as families hurt by civil conflict and natural disaster, and communities hit hard by HIV/AIDS and other health issues; as well as address the livelihood and enterprise needs of difficult-to-reach clientele such as the poor in remote rural areas, youth, women, refugees, and internally displaced persons.

The FIELD-Support LWA was competitively awarded by USAID's Microenterprise Development office to a team of 27 highly qualified organizations, led by the Academy for Educational Development (AED). The team, comprising 10 core members and 17 resource organizations has a proven track record in reducing poverty and promoting sustained, equitable growth through microenterprise development, microfinance, value chain development, institution and human capacity-building, and the promotion of other market-based approaches. Experiences include supporting micro and small enterprises' access to market opportunities, strengthening and deepening financial systems, promoting sustainable livelihoods and improving the national and local enabling environment. Sustainable livelihood work increases poor household assets and strengthens their coping strategies, while enabling environment work focuses on both the national and local levels to boost productivity, earnings, and competitiveness.

The LWA – which has an overall ceiling of $350 million over five years – is off to a strong start, with initial Mission associate awards in the pipeline. By the end of this fiscal year, the Microenterprise Development office expects to obligate a cumulative total of $2 million for the base "leader" agreement to implement pilot projects that address these objectives throughout the world. In addition, USAID missions are showing great interest in utilizing the FIELD Support LWA to address regional needs. By the end of FY 2006, USAID expects missions to enter into "associate" cooperative agreements totaling approximately $60 million, nearly 20 percent of this mechanism's ceiling.

USAID Missions and USAID/W offices and operating units are able use the LWA over a five-year period. The LWA provides a streamlined procurement mechanism for missions to partner with NGOs and PVOs to meet growth and poverty alleviation goals, as an attractive alternative to working with contracts and for-profit firms. Design and implementation of the LWA is one of a number of steps USAID has taken to ensure that it has access to the best possible combination of partners with which to implement its microenterprise programs.

Implementation Grant Program (IGP)

The FY 2006 Implementation Grant Program will include awards to both financial services and enterprise development institutions. The Financial Services grant round, focused on "Access to Financial Services for the Very Poor," attracted fewer responses than anticipated, but assessments of those that are the top contenders indicate strong programs involving a range of financial institutions (banks, NGOs, multi-sectoral programs and specialized microfinance institutions) working to integrate a variety of clients into the financial system (including youth and rural and agricultural producers as well as traditional clients who are poor or very poor).

The Enterprise Development grant round, "Linking Economic Growth to Poor Households," focuses on approaches that foster the competitiveness of industries in which large numbers of very small firms participate, by improving microentrepreneurs' access to the finance, business services and knowledge they need to compete in growing markets, while ensuring that the poor who operate these very small firms benefit from participating in growing markets.

Awardees will collaborate through a learning network with a structured learning agenda to share with each other and the larger industry those strategies, products and services that show promise in reaching and retaining very poor clients.

The combined funding for these worldwide grant competitions is $10 million. Awards will be made by the end of the fiscal year.

Grants Under Contract (GUC)

The Agency also continues to implement its grants under contracts program, which provides targeted grants to key implementing partner organizations. These grants are used to help institutions address key implementation and institution building issues which would normally not be funded by donor programs. The program emphasizes joint learning and the sharing of results, so that the impact of these grants can be leveraged across a broader swath of implementing partners, rather than accruing just to the benefit of the grantee. The total value of this program is $2.86 million.

In 2005, the Agency, in collaboration with a number of implementing partners, determined an industry-wide need for institutional support to develop or reinforce learning and knowledge management capacity. Institutions had repeatedly requested that USAID provide assistance to institutionalize frameworks that will help them to learn from current operations and apply the knowledge they gain to benefit future programs. In December, the Agency made six awards totaling $650,000 to increase recipient institutions' capacity to learn from their activities, apply their learning in order to adapt their activities and generate new ideas, and share their new knowledge with the broader industry.

In early 2006, the Europe and Eurasia Bureau identified the need to develop approaches to increase the incomes of historically marginalized populations by improving or creating access to markets and financial services. In late spring, the Agency released a request for grant applications for programs supporting these hard-to-serve populations. These programs will develop channels to integrate the targeted populations into the broader economy, and to build a knowledge base of successful tools for integrating poor people into the markets and financial systems from which they have been excluded. The Agency expects at least some of the applicants to be non-traditional partners, including youth-serving organizations or health programs. Grant applications have just been received with about half coming from international PVOs and half coming from local NGOs. Only proposals for integrating these populations permanently into markets will be selected for awards totaling $500,000. Recipients will be required to collaborate through a "learning network" to share the knowledge they gain reaching hard to reach populations. Proposals have been received; awards will be made by the end of fiscal year 2006.

In the remainder of FY 2006, the Agency will release two more requests for grant applications, with one targeted to rural and agricultural populations (this may be combined with an information technology focus), and one to test the cost-effectiveness of newly developed poverty assessment tools.

Sub-obligations, cost-effectiveness, sustainability

In FY 2005, the amount of funds obligated directly to all non-profits was approximately 37 percent of total microenterprise support, which included funds to U.S.-based PVOs (16 percent), local NGOs (16 percent), cooperatives (2 percent), credit unions (2 percent) and research and educational institutions (1 percent). The amount obligated to consulting firms was 51 percent of total funds, an increase from 38 percent in FY 2004.

USAID is working to supplement data on direct obligations with better data on the (often substantial) portions of funding that are sub-obligated, usually from consulting firms to non-profits. Sub-obligations are a key aspect of large “umbrella programs,” which are sometimes used by missions to accomplish a range of activities without adding to their management burden. Missions often use umbrella programs in countries where local capacity is limited, and comprehensive, multi-level interventions are required for program success. In these programs, a single awardee (either a consulting firm or a PVO/NGO) carries out a broad range of activities to boost economic opportunities for microenterprises or expand financial services for the poor. While managed by a lead implementer or “prime” recipient single entity, the umbrella program in most cases is carried out by a consortium of partners that bring distinct expertise, given the breadth of skills required by the program, and that receive a portion of the funds obligated to the “prime” through sub-contracts or sub-grants. Microfinance umbrella projects generally aim to reduce dependence on donor funding and subsidized technical assistance by addressing the market-level constraints to mainstreaming microfinance for the poor. These constraints often take the form of lack of services on which microfinance institutions rely. Umbrellas address these constraints by building locally available supporting services, and strengthening the policy, regulatory, or legal framework for microfinance.

In FY 2005, the Agency completed a study on umbrella mechanisms in an effort to better understand the use of these agreements by USAID missions, their relative cost-effectiveness and that of other mechanisms, and their role in USAID’s microenterprise development support. Many of this study’s findings apply to umbrellas but also more broadly to other agreements with for-profit and non-profit partners. This study was recently reviewed by the advisory group, comprised of non-profit and for-profit practitioners, other donors, and researchers; release to the general public expected this summer.

The study's findings indicate that USAID-funded microfinance programs have been implemented successfully as both umbrella projects and as single-purpose projects by both for-profits and not-for-profits. Detailed analysis of the cost structures of not-for-profits and for-profits offers no evidence that these programs have been implemented inefficiently. Likewise, there is little evidence that either for-profits or not-for-profits are more cost-effective in achieving project results. This study found that it is extremely difficult to directly compare cost-effectiveness between organizations and projects across countries, and virtually impossible to draw broad, general conclusions about relative cost-effectiveness.

Recent refinements to USAID's microenterprise data collection and reporting system allow umbrella institutions to include more details on the various forms of assistance that may be transferred to local organizations via the umbrella institution. Analysis of the database of microfinance umbrellas compiled for the study indicates that since 1997, nearly 47 percent of total funding for microfinance umbrellas was sub-obligated; most of these sub-obligations go to not-for-profits and their local affiliates. In addition, although for-profits served as primes for the majority of the umbrella programs, not-for-profits and their affiliates received much of the in-kind technical assistance and training, as well as funding, associated with these programs.

Sub-obligations, usually made by a for-profit managing a program to non-profits in the form of subcontracts and sub-grants, are often a central component of microenterprise umbrella programs. Additional detail on the subcontracts and sub-grants will eventually aid in providing a more comprehensive picture of the allocation of USAID funds. For FY 2005, the majority of umbrella awardees with agreements signed late in the fiscal year showed much of their funding still in hand at the time of reporting. Most of these funds will eventually be channeled to local organizations, but are not reflected in the data captured for FY 2005.

To enhance our understanding of the portion of funds that get sub-obligated, and who the ultimate recipients of funding are, USAID in FY 2005 requested additional information on the amounts allocated to local institutions through umbrella agreements, apexes or other types of wholesale institutions. The amount of detail provided by the direct recipients considerably understates the amounts that will benefit local organizations. The data on funding flows between for-profits (primarily consulting firms) and non-profits (primarily PVOs and NGOs) is also likely to be incomplete. This is the first year for which USAID has attempted to collect data on sub-obligations for technical assistance as well as direct obligations. The data collection exercise and analysis proved far more difficult than anticipated. Reasons that the data is incomplete are many, and are explained in the Annual Report to Congress. USAID has adapted the data collection process for FY 2006 to capture more accurately the portion of funding that is intended for eventual sub-obligation even if the sub-obligation is not completed during the fiscal year. We expect this change to yield more accurate data on the breakdown of USAID microenterprise funding by institution type.

The microfinance umbrella study also addressed the issue of sustainability. The study found that, for umbrella and other USAID programs, the instrument is not a factor in determining sustainability. USAID uses contracts to procure goods or services to implement its own program, and cooperative agreements or grants to support or stimulate the recipient's program. The sustainability of the program is the result of sound analysis that ensures that benefits continue well beyond program subsidies. Umbrella programs are usually implemented under contracts rather than grants, as USAID perceives the need to exercise greater control over these large and complicated public investments. USAID staff have more control over the direction of programs implemented under a contract.

The amount of USAID support specifically for microfinance that flowed through umbrella agreements between FY 1997 and FY 2005 was less then 30 percent of new USAID obligations for microfinance, indicating that most USAID support for microfinance is still distributed through single-purpose programs, which are generally grants directly to not-for-profits. The share of microfinance funding programmed through umbrella programs during this period seems to have peaked at 37 percent of total USAID funding for microfinance in FY 2002, while just 10 percent of FY 2005 funding was obligated through umbrella programs.

Finally, the study also addressed the issue of sustainability. It found that, for the cases studied (which included institutions assisted through umbrella programs as well as those assisted through single-institution programs), nearly all of the institutions assisted experienced increased financial sustainability and growth. The form of assistance program – whether an umbrella program or a single-institution program – did not influence the sustainability of the institution(s) involved in the program. However, the form of assistance program did influence the sustainability of the broader financial sector. That is, the study found that programs focused at the level of a single institution cannot be as effective as umbrella programs at creating a financial system that permits greater and more sustainable access to financial services. Ultimately, the ability of umbrella programs to work with a range of institutions on a variety of interventions at multiple levels of the financial system results in a more sustainable financial system in which poor people are more likely to enjoy the benefits of economic growth.

Thank you Mr. Chairman. I would be happy to answer any questions you may have.

Appendix 1:

Table 1. Performance Goals and Results, FY 2005

Microfinance	Total Loan Clients #	Women Clients %	Rural Clients %	Funds Benefiting Very Poor Clients %	Financially Sustainable MFIs %
FY 05 goal	3.8 million	60	40	50	50
FY 05 actual	5.8 million	61	45	37	58
Enterprise Development					
FY 05 goal	700,000	30	80	50	
FY 05 actual	694,649	29	95	18	
All clients					
FY 05 goal	4.5 million			50	
FY 05 actual	6.5 million			23	

The count for microfinance clients is restricted to loan clients, as adding in clients for other financial services (savings, insurance, and remittances) may result in double counting.